

LEGISLATIVE COUNCIL BRIEF

Public Finance Ordinance (Chapter 2)

Revenue (Variation of Fees and Charges) Order 2002

INTRODUCTION

At its meeting held on 12 March 2002, the Executive Council **ADVISED** and the Chief executive **ORDERED** that the Revenue (Variation of Fees and Charges) Order 2002, at **Annex**, should be made under section 39A(a) of the Public Finance Ordinance to waive the business registration fee and reduce the water charge, fresh water flushing charge, sewage charge and trade effluent surcharge (TES) for the coming financial year to provide some immediate relief for the community.

Annex

BACKGROUND AND ARGUMENT

Business Registration Fee

2. Under the Business Registration Ordinance, every person carrying on any business in Hong Kong must register his business within one month of the commencement of the business and pay the registration fee. At present, the business registration fee and the branch registration fee are set at \$2,000 and \$73 respectively for a one-year certificate and \$5,200 and \$189 respectively for a three-year certificate. The structure of the fees for a three-year certificate is such that the fees for the first year are \$2,000 and \$73 (the same as for a one-year certificate) and the fees for second and third years are \$1,600 or \$58 (a discount of 20% intended to offset for the upfront payment).

3. As part of the overall special economic relief package in the 2002-03 Budget and to provide some immediate relief to businesses, the Financial Secretary proposes to provide all persons carrying on business with a one-off, time-limited waiver from the payment of the business registration fee for one year. Business Registration certificates with a commencement date falling between 1 April 2002 and 31 March 2003 will be relieved from the payment of business registration fee for a 12-month period. Those who apply afresh or apply for renewal of a one-year certificate or a three-year certificate during the concessionary period will be relieved from the payment of a business registration fee of \$2,000. By the same token, applicants for a branch registration certificate will be exempted from the \$73 branch registration fee. About 600 000 businesses will benefit from this relief measure.

Water Charge, Fresh Water Flushing Charge and Sewage Charge and Trade Effluent Surcharge

4. The Financial Secretary also proposes, as part of the Budget package, to reduce water, fresh water flushing and sewage charges and the TES for one year. In respect of domestic accounts, the maximum amounts of water and sewage charges to be waived for each account is proposed to be \$800 and \$200 respectively. The concession will be given out in three equal instalments at the time of issuing water and sewage charges bills on or after 1 April 2002¹. Any unutilised concessions balance can be carried forward to subsequent bills subject to a maximum period of 12 months. As a result of the concession, 77% of the domestic water accounts (about 2.1 million households) and 81% of the domestic sewage accounts (about 1.9 million households) will pay no water or sewage charges for one year.

5. In respect of non-domestic accounts, the maximum amounts of water and sewage charges proposed to be waived for each account is \$3,200 and \$800 respectively. Similar to the domestic accounts, the concession will also be given out in three equal instalments at the time of

¹ The normal billing cycle for water charges is four months.

issuing water and sewage charges bills on or after 1 April 2002 and any unutilised balance can be carried forward subject to a maximum period of 12 months. Some non-domestic accounts with large water consumption are billed at monthly intervals. The concession for these accounts will be granted in 12 equal instalments. As a result of the concession, 83% of the non-domestic accounts (about 180 000) will pay no water or sewage charges for one year.

6. Sea-water supply for flushing is free of charge, while fresh water supply for flushing is usually billed at four-monthly intervals. There are at present about 21 000 fresh-water flushing accounts. To extend the same concession to the water accounts, the Financial Secretary proposes to waive the water charges for flushing up to a maximum amount of \$800 per account for a 12-month period. As a consequence, 80% of the flushing accounts will be exempted from payment of water charges for flushing for one year.

7. In addition to the sewage charge, there are at present about 15 000 TES accounts, payable by 30 designated trades and industries which produce more polluting effluent than the average strength of domestic sewage. The Financial Secretary proposes to reduce the TES payable by 30% for one year. The average concession per account will be around \$4,000.

THE PROPOSAL

8. Section 39A(a) of the Public Finance Ordinance provides that the Chief Executive may by order reduce or vary any fee or charge made payable to Government by or under any Ordinance. We recommend that the Chief Executive make an order under this section to effect the waiver of business registration fees and reduction of water charges, sewage charges, flushing charges and the TES. It is proposed that the Order should take effect on 1 April 2002 so as to provide relief to the community as soon as possible.

THE ORDER

9. The provisions of the Order are as follows :
- (a) **Clause 1** provides that the Order shall come into operation on 1 April 2002.
 - (b) **Clause 2** provides that the Order shall only apply to fees and charges payable in respect of a period of one year commencing on 1 April 2002.
 - (c) **Clause 3** waives the business registration fees and branch registration fees in respect of certificates commencing on or after 1 April 2002 and before 1 April 2003.
 - (d) **Clause 4** reduces charges for use of fresh water for domestic purposes and non-domestic purposes subject to a ceiling of \$800 and \$3,200 respectively and reduces charges for use of fresh water for flushing purpose subject to a ceiling of \$800.
 - (e) **Clause 5** reduces sewage charges for water supplied for domestic purposes and non-domestic purposes, subject to a ceiling of \$200 and \$800 respectively.
 - (f) **Clause 6** reduces the TES by 30%.

LEGISLATIVE TIMETABLE

10. We published the Order in the Gazette on 12 March 2002 and will table it in the Legislative Council on 13 March 2002.

BASIC LAW IMPLICATIONS

11. The Department of Justice advises that the Order is consistent with those provisions of the Basic Law carrying no human rights implications.

HUMAN RIGHTS IMPLICATIONS

12. The Department of Justice advises that the Order is consistent with the human rights provisions of the Basic Law.

BINDING EFFECT OF THE LEGISLATION

13. The Order does not affect the binding effect of the existing provisions of the Public Finance Ordinance, Business Registration Ordinance, Waterworks Ordinance and Sewage Services Ordinance and their subsidiary legislation.

ECONOMIC IMPLICATIONS

14. The proposed package of measures would render some immediate relief to many households as well as businesses. The waiver of business registration fee will benefit businesses to a widely different degree, depending on the size of business, yet in relative terms small businesses will benefit the most. In overall average terms, this is estimated to lower business costs by around 0.08 of a percentage point. As for the reduction in water charge and sewage charge, this is estimated to lower the expenditure of an average household by around 0.19 of a percentage point. For businesses, the reduction in water charge, sewage charge and TES taken together is estimated to lower business costs in overall average terms by around 0.02 of a percentage point. The benefit will be relatively greater for those businesses which are large water users, as well as those having to pay TES.

FINANCIAL AND STAFFING IMPLICATIONS

15. We estimate that the proposal to waive the business registration fee for a year would cost the Government \$1.3 billion. The proposal to reduce the water charge, fresh water flushing charge, sewage

charge and TES for a year is estimated to cost \$1.3 billion. Total estimated loss to revenue would be \$2.6 billion. Any additional staffing requirements arising from the implementation of these measures will be absorbed under the existing baseline provision of the relevant departments.

PUBLICITY

16. As the proposal has been announced in the 2003-03 Budget Speech and widely reported by the media, no press release on the Order will be issued.

ENQUIRIES

17. In case of enquiries about this Brief, please contact Miss Erica Ng, Principal Assistant Secretary for the Treasury (Revenue), at 2810 2370.

Finance Bureau
FIN CR 4/7/2201/01
12 March 2002

**REVENUE (VARIATION AND REDUCTION OF FEES AND CHARGES)
ORDER 2002**

(Made under section 39A(a) of the Public Finance
Ordinance (Cap. 2) after consultation
with the Executive Council)

1. Commencement

This Order shall come into operation on 1 April 2002.

2. Application

(1) Section 3 shall apply to fees payable in respect of business registration certificates and branch registration certificates which commence on or after 1 April 2002 and before 1 April 2003.

(2) Sections 4, 5 and 6 shall apply to charges payable in respect of the period commencing on 1 April 2002 and ending on 31 March 2003.

Business Registration Ordinance

**3. Waiver of business registration
fees, etc.**

(1) The prescribed business registration fee and the prescribed branch registration fee as defined in section 2 of the Business Registration Ordinance (Cap. 310) shall be waived in accordance with this section.

(2) Where the fee prescribed in item 1(I)(i) or (ii) of Schedule 1 to that Ordinance is payable, a sum of \$2,000 shall be waived.

(3) Where the fee prescribed in item 2(a) or (b) of Schedule 2 to that Ordinance is payable, a sum of \$73 shall be waived.

Waterworks Regulations

4. Reduction of water charges

(1) Subject to subsections (2) and (3), the amount of charge payable for the supply of fresh water pursuant to regulation 46 of the Waterworks Regulations (Cap. 102 sub. leg.) shall be reduced by deducting from the charge -

- (a) in the case of a charge under item 1(a), (d), (e) or (f) in Part III of Schedule 1 to those Regulations, an amount not exceeding \$3,200;
- (b) in the case of a charge under item 1(b) or (c) in Part III of Schedule 1 to those Regulations, an amount not exceeding \$800.

(2) In relation to subsection (1)(a), the maximum amount allowed to be deducted in respect of each bill of charges being a bill for -

- (a) a 1-month period of supply, is \$266.66;
- (b) a 4-month period of supply, is \$1,066.66.

(3) In relation to subsection (1)(b), the maximum amount allowed to be deducted in respect of each bill of charges being a bill for -

- (a) a 1-month period of supply, is \$66.66;
- (b) a 4-month period of supply, is \$266.66.

(4) Notwithstanding subsections (2) and (3), any remainder of the amount allowed to be deducted in respect of a bill of charges which is not utilized in the payment of that bill shall be carried forward and set off against the charges payable in the subsequent bill of charges.

Sewage Services (Sewage Charge) Regulation

5. Reduction of sewage charges

(1) Subject to subsections (2) and (3), the amount of sewage charge payable pursuant to section 2 of the Sewage Services (Sewage Charge) Regulation (Cap. 463 sub. leg.) shall be reduced by deducting from the charge -

- (a) where the rate for the charge is based on the volume of water supplied for the purposes specified in item 1(a), (d), (e) or (f) in Part III of Schedule 1 to the Waterworks Regulations (Cap. 102 sub. leg.), an amount not exceeding \$800;
- (b) where the rate for the charge is based on the volume of water supplied for the purposes specified in item 1(b) in Part III of Schedule 1 to the Waterworks Regulations (Cap. 102 sub. leg.), an amount not exceeding \$200.

(2) In relation to subsection (1)(a), the maximum amount allowed to be deducted in respect of each bill of charges being a bill covering -

- (a) a 1-month period of charges, is \$66.66;
- (b) a 4-month period of charges, is \$266.66.

(3) In relation to subsection (1)(b), the maximum amount allowed to be deducted in respect of each bill of charges being a bill covering -

- (a) a 1-month period of charges, is \$16.66;
- (b) a 4-month period of charges, is \$66.66.

(4) Notwithstanding subsections (2) and (3), any remainder of the amount allowed to be deducted in respect of a bill of

charges which is not utilized in the payment of that bill shall be carried forward and set off against the charges payable in the subsequent bill of charges.

**Sewage Services (Trade Effluent
Surcharge) Regulation**

6. Reduction of trade effluent surcharges

The amount of trade effluent surcharge payable pursuant to sections 3 and 4 of the Sewage Services (Trade Effluent Surcharge) Regulation (Cap. 463 sub. leg.) shall be reduced by 30%.

Chief Executive

March 2002

Explanatory Note

This Order waives the fees payable in respect of business registration certificates and branch registration certificates commencing on or after 1 April 2002 and before 1 April 2003 (section 3). This Order also reduces -

- (a) charges for use of fresh water for domestic purposes and non-domestic purposes subject to a ceiling of \$800 and \$3,200 respectively, and charges for use of fresh water for flushing purpose subject to a ceiling of \$800 (section 4);
 - (b) sewage charges in respect of domestic purposes and non-domestic purposes subject to a ceiling of \$200 and \$800 respectively (section 5);
 - (c) trade effluent surcharges by 30% (section 6),
- for a 12-month period commencing on 1 April 2002.